To: McHugh, Michael
From: Groll, A P.
Posted: 3/23/98 9:17
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Subject: NYDOC - SALEM

Mike,

The following points were raised during my last call on the D.O.C.:

1) Ed Lepkowski would like to buy 150 12M cases of Salem BOX / Soft Pack in June. His reason for waiting until June is that he will have extra cigarette money at that time (new fiscal budget begins July 1st - June bills are paid in July). While new supplier, Klein Candy, has not yet shipped their first order to the prison system, they are seeking price protection to cover the $0.25 per carton increase that occurred earlier this year. Klein indicates that B.A.T. and possibly Lorillard have agreed to cover this amount. This will impact Winston and More M. shipments and makes producing special Salem product "risky". If we consider protecting Klein at all, we might approach it one increase at a time as opposed to a long-term commitment.

2) The D.O.C. is buying Newport again. While their initial order (April delivery) is only 3000 cartons, purchases for this brand will increase when current Kool and Salem inventories are reduced. Lorillard and B.A.T. currently pay $2.00 per carton for all product purchased. Lorillard "threw in" 20,000 pairs of socks for the Newport order.

3) Salem is not selling "on its own" in the prison system. Lepkowski orders it to get promotion payments and to maintain his relationship with RJR. He then runs down competitive menthol inventories to force it to sell. The same is true of Kool when Newport is available. Lepkowski will probably be willing to do this for as long as he sees a benefit to the D.O.C.. He has again requested a soft pack B1G1F and will buy this promotion from anyone who will sell it to him.

Since all companies pay the D.O.C. the same per carton rate, a B1G1F might provide some benefit to us. Lepkowski is also appreciative of T- shirts and other types of clothing that can be passed along to the inmates.

Artie

CC: Moulton, G

Since New Salem is not selling the world on fire at the NYC DOC, maybe we just sell Salem Kings so we don't have to have special production runs to make the Box product in SP.?

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Source: https://www.industrydocuments.ucsf.edu/docs/tqbp0000